

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FEBRUARY 29, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Leonard	County Oakland
Audit Date 2/29/04	Opinion Date 1/13/05	Date Accountant Report Submitted to State: 1/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Michael H. DeVries CPA			
Street Address 837 S. Lapeer Road	City Oxford	State MI	ZIP 48371
Accountant Signature <i>Michael H. DeVries</i>			Date 1-13-05

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Leonard
Leonard, Michigan

We have audited the accompanying general purpose financial statements of the Village of Leonard, Oakland County, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Leonard, Oakland County, Michigan, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our examination did not include verification of the fund balances at March 1, 2003, therefore we are unable to express an opinion on the accompanying changes in fund balances.

In our opinion, except for the above paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Leonard, Oakland County, Michigan, as of February 29, 2004 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Leonard, Oakland County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respect in relation to the general purpose financial statements taken as a whole.

Michael H. DeVries
Certified Public Accountant

Oxford, Michigan
January 13, 2005

MEMBER

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2004

	<u>Governmental Fund Types</u>		<u>Account Group</u> <u>General</u> <u>Fixed</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Assets</u>	
<u>ASSETS</u>				
Cash in Bank - Checking	\$30,758	\$8,529	\$ - 0 -	\$ 39,287
Accounts Receivable	350	926	- 0 -	1,276
Taxes Receivable (Note 2)	4,471	- 0 -	- 0 -	4,471
Due from State of Michigan	4,266	53,869	- 0 -	58,135
Due from Major Street Fund	31,735	2,500	- 0 -	34,235
Due from Local Street Fund	11,646	- 0 -	- 0 -	11,646
Fixed Assets	<u>- 0 -</u>	<u>- 0 -</u>	<u>279,786</u>	<u>279,786</u>
<u>TOTAL ASSETS</u>	<u>\$83,226</u>	<u>\$65,824</u>	<u>\$279,786</u>	<u>\$428,836</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Inspectors and Bonds Payable	\$10,096	\$ - 0 -	\$ - 0 -	\$10,096
Deferred Revenue	890	- 0 -	- 0 -	890
Due to General Fund	- 0 -	43,381	- 0 -	43,381
Due to Local Street Fund	- 0 -	2,500	- 0 -	2,500
Due to County	21,829	- 0 -	- 0 -	21,829
Payroll Taxes Payable	1,188	- 0 -	- 0 -	1,188
Property Taxes Payable - ITT	5,129	- 0 -	- 0 -	5,129
Accounts Payable	<u>2,445</u>	<u>3,890</u>	<u>- 0 -</u>	<u>6,335</u>
<u>TOTAL LIABILITIES</u>	<u>41,577</u>	<u>49,771</u>	<u>- 0 -</u>	<u>91,348</u>
<u>Fund Balance</u>				
Investment in General Fixed Assets	- 0 -	- 0 -	279,786	279,786
Fund Balance (Statement 2)	<u>41,649</u>	<u>16,053</u>	<u>- 0 -</u>	<u>57,702</u>
<u>TOTAL FUND BALANCE</u>	<u>41,649</u>	<u>16,053</u>	<u>279,786</u>	<u>337,488</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$83,226</u>	<u>\$65,824</u>	<u>\$279,786</u>	<u>\$428,836</u>

See accompanying notes to financial statements.

**VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<u>REVENUES</u>			
Taxes	\$62,474	\$ - 0 -	\$ 62,474
State Revenue Sharing	25,890	53,869	79,759
Community Development Block Grant	- 0 -	- 0 -	- 0 -
Other	1,005	- 0 -	1,005
Interest	678	205	883
Rental	20,941	- 0 -	20,941
Licenses and Permits	<u>16,337</u>	<u>- 0 -</u>	<u>16,337</u>
<u>TOTAL REVENUES</u>	<u>127,325</u>	<u>54,074</u>	<u>181,399</u>
<u>EXPENDITURES</u>			
Legislature	2,160	- 0 -	2,160
Executive	2,976	- 0 -	2,976
Elections	1,164	- 0 -	1,164
General Service Administration	66,853	3,842	70,695
Sanitation	16,211	- 0 -	16,211
Highways, Streets and Bridges	6,218	44,803	51,021
Building and Grounds	<u>28,997</u>	<u>- 0 -</u>	<u>28,997</u>
<u>TOTAL EXPENDITURES</u>	<u>124,579</u>	<u>48,645</u>	<u>173,224</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	- 0 -	5,500	5,500
Operating Transfers (Out)	<u>- 0 -</u>	<u>(5,500)</u>	<u>(5,500)</u>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u>			
	2,746	5,429	8,175
<u>FUND BALANCE - MARCH 1, 2003</u>			
(Unaudited)	<u>38,903</u>	<u>10,624</u>	<u>49,527</u>
<u>FUND BALANCE - February 29, 2004</u>	<u>\$ 41,649</u>	<u>\$16,053</u>	<u>\$ 57,702</u>

See accompanying notes to financial statements.

VILLAGE OF LEONARD

Statement 3

OAKLAND COUNTY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004

	General Fund			Special Revenue Fund Types		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES</u>						
Taxes	\$ 71,000	\$ 62,474	\$ (8,526)	\$ - 0 -	\$ - 0 -	\$ - 0 -
State Revenue Sharing	27,000	25,890	(1,110)	31,500	53,869	22,369
Community Development Block Grant	8,000	- 0 -	(8,000)	- 0 -	- 0 -	- 0 -
Interest - Delinquent Taxes	- 0 -	264	264	- 0 -	- 0 -	- 0 -
Other	3,500	1,005	(2,495)	- 0 -	- 0 -	- 0 -
Interest	600	414	(186)	700	205	(495)
Rental	12,500	20,941	8,441	- 0 -	- 0 -	- 0 -
Licenses and Permits	<u>12,800</u>	<u>16,337</u>	<u>3,537</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
<u>TOTAL REVENUES</u>	<u>135,400</u>	<u>127,325</u>	<u>(8,075)</u>	<u>32,200</u>	<u>54,074</u>	<u>21,874</u>
<u>EXPENDITURES</u>						
Legislature	2,200	2,160	40	- 0 -	- 0 -	- 0 -
Executive	4,000	2,976	1,024	- 0 -	- 0 -	- 0 -
Elections	1,331	1,164	167	- 0 -	- 0 -	- 0 -
General Service Administration	95,510	66,853	28,657	5,170	3,842	1,328
Sanitation	17,000	16,211	789	- 0 -	- 0 -	- 0 -
Highways, Streets and Bridges	10,688	6,218	4,470	40,875	44,803	(3,928)
Building and Grounds	<u>46,921</u>	<u>28,997</u>	<u>17,924</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
<u>TOTAL EXPENDITURES</u>	<u>177,650</u>	<u>124,579</u>	<u>53,071</u>	<u>46,045</u>	<u>48,645</u>	<u>(2,600)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating Transfers In	- 0 -	- 0 -	- 0 -	- 0 -	5,500	5,500
Operating Transfers (Out)	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>(5,500)</u>	<u>(5,500)</u>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u>	(42,250)	2,746	44,996	(13,845)	5,429	19,274
<u>FUND BALANCE - March 1, 2003 (Unaudited)</u>	<u>38,903</u>	<u>38,903</u>	<u>- 0 -</u>	<u>10,624</u>	<u>10,624</u>	<u>- 0 -</u>
<u>FUND BALANCE - (Deficit) February 29, 2004</u>	<u>\$ (3,347)</u>	<u>\$ 41,649</u>	<u>\$ 44,996</u>	<u>\$ (3,221)</u>	<u>\$16,053</u>	<u>\$19,274</u>

See accompanying notes to financial statements.

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2004

(1) SUMMARY OF ACCOUNTING POLICIES

A summary of the Village's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Combined Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance, of the Village of Leonard, hereafter the Village.

B. ORGANIZATION

The Village of Leonard was incorporated January 10, 1889, and then reincorporated April 27, 1893, under the provisions of Act. 62. The Village operates a Council - President form of government and provides the following services as authorized by its charter, but not limited to: public safety, highways and streets, planning and zoning, and general administrative services.

The accounting policies of the Village of Leonard conform to generally accepted accounting principles as applicable to governments.

C. BASIS OF PRESENTATION

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Village are recorded in separate funds and account groups, categorized as follows:

Governmental Fund

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, state revenue sharing and charges for services.

(1) SUMMARY OF ACCOUNTING POLICIES (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Account Group

The General Fixed Assets Account Group presents the fixed assets the Village utilizes in its operations. Fixed assets used in the general operation of the Village are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets.

D. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to revenues and expenditures that are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General Fund and Special Revenue) use a financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded under the modified accrual basis of accounting when the fund liability is incurred, if measurable. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The major sources of revenue are property taxes and state and federal revenue sharing.

E. FIXED ASSETS

General fixed assets purchased are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized in the General Fixed Assets Group of Accounts. No depreciation is provided on General Fixed Assets.

F. BUDGET AND BUDGETARY ACCOUNTING

The following procedures are instituted by the Village in establishing the budgetary data reflected in the financial statements:

1. In December, a list of expenses incurred to date is drawn up by the Treasurer.
2. The Village president then utilizes the above mentioned list to prepare the upcoming budget.
3. At the February meeting the budget is formally presented to the Council, and is then open for a public hearing. After all discussions have been completed, the Council gives approval to the final budget.

(1) SUMMARY OF ACCOUNTING POLICIES (Continued)

4. The budget is legally enacted on a functional activity basis through passage of a resolution, and in accordance with Public Act 621 of the State of Michigan.

5. No Village Council member or employee of the Village shall expend any funds or obligate the expenditures of any funds except pursuant to appropriations made by the Village Council and in keeping with the budgetary policy statement hitherto adopted by the Council. Changes in the amount appropriated by the Council shall require approval by the Council.

6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

G. GENERAL FIXED ASSETS

Fixed assets used in governmental fund type operations (General Fixed Assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds.

A General Fixed Assets Group of Accounts was initiated February 29, 1976. Because historical facts were unknown in several instances, an appraisal was used for the asset basis where cost could not be determined. Although the total does not represent true costs, it is a fair representation of the general fixed assets owned by the Village. All acquisitions subsequent to February 29, 1976 are being recorded at cost. There was one exception on November 21, 1994. The Village acquired the Rowland Hall from Addison Township for \$1. It was recorded in the General Fixed Assets Group for \$60,000, which is the insured value. No depreciation has been provided on the General Fixed Assets Group.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets, consisting of certain improvements other than buildings, including roads, curbs, and gutters, streets and sidewalks, drainage systems and lighting systems, are not recorded.

The account group is not "funds". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

H. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned, Memorandum Only, to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

I. INVESTMENTS

Investments are stated at cost or amortized cost, which approximates market.

(1) SUMMARY OF ACCOUNTING POLICIES (Continued)

J. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

(2) PROPERTY TAXES AND SPECIAL ASSESSMENTS

Property taxes attach an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable by August 31. The Village bills and collects its own property tax revenues, they are recognized when levied, to the extent that they are measurable and available.

Available means, due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough to pay (liquidate) current liabilities after year end. The available period might extend beyond the GASB 1 requirement of 60 days because of the length in time required from the time the Village turns its delinquent real property taxes over to the county (March 1) and the time the county makes their revolving fund payment, usually within 90 days. As of February 29, 2004, the Village has recorded a delinquent property tax receivable of \$4,471, which is classified as Taxes Receivable within the financial statements. The following is a detail of Taxes Receivable and Deferred Revenue:

	<u>Taxes Receivable</u>	<u>Deferred Revenue</u>
2003 Tax Roll Revolving Payment	\$3,394	\$ - 0 -
2003 Delinquent Real Property	187	- 0 -
2003 Delinquent Personal Property	142	142
2002 Delinquent Personal Property	389	389
2001 Delinquent Personal Property	95	95
2000 Delinquent Personal Property	66	66
1999 Delinquent Personal Property	61	61
1998 Delinquent Personal Property	61	61
1997 Delinquent Personal Property	47	47
1996 Delinquent Personal Property	<u>29</u>	<u>29</u>
	<u>\$4,471</u>	<u>\$890</u>

(3) CHANGES IN GENERAL FIXED ASSETS

A summary of the changes in General Fixed Assets follows:

	<u>Balance</u> <u>02-28-02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>02-29-04</u>
Land	\$ 19,996	\$ - 0 -	\$ - 0 -	\$ 19,996
Building	130,678	- 0 -	- 0 -	130,678
Police Equipment	1,927	- 0 -	- 0 -	1,927
Office Equipment	6,976	202	- 0 -	7,178
Machinery and Equipment	<u>119,554</u>	<u>453</u>	<u>- 0 -</u>	<u>120,007</u>
<u>INVESTMENT IN</u> <u>GENERAL FIXED</u> <u>ASSETS</u>	<u>\$279,131</u>	<u>\$ 655</u>	<u>\$ - 0 -</u>	<u>\$279,786</u>

(4) DUE FROM STATE

The Due from State in the General Fund of \$4,266 represents the first quarter distribution of Sales, Income and Single Business Tax. The distributions were not deposited until after February 29, 2004. The Due from State in the Special Revenue Funds of \$53,869 represents Act 51 funds which were being withheld until various reports and acknowledgments were sent and accepted. This amount was deposited in March, 2004.

(5) ACCOUNTS RECEIVABLE

The Accounts Receivable of \$350 in the General Fund represents Rowland Hall Rental. This amount was received in April, 2004.

(6) DUE TO COUNTY

On March 11, 2003 the Village received notice that ITT Automotive received a favorable judgement through the Michigan tax tribunal. This judgement covered the tax years of 1996 through 2001. The total judgement amount including interest was \$41,751. The Village was unable to pay the entire amount in whole. Arrangements were made with the County to pay the amount over a period of time with interest. At February 29, 2004 \$21,829 is still owed, \$3,511 in interest has been paid.

(7) ITT AUTOMOTIVE PROPERTY TAX PAYABLE

Due to the above mentioned Michigan tax tribunal decision, the 2002 tax roll personal property for ITT Automotive was overpaid by \$4,870. This amount has not been repaid. At February 29, 2004 the total amount owed is \$5,129, which includes an estimated interest amount of \$259.

(8) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the Combined Statements - Overview of certain information concerning individual funds including:

A. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 3.

B. Individual fund Interfund Receivable and Payable balances. Such balances at February 29, 2004 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Major Street Fund	\$31,735	\$ - 0 -
Local Street Fund	11,646	- 0 -
Special Revenue Funds:		
Major Street Fund:		
General Fund	- 0 -	31,735
Local Street Fund	- 0 -	2,500
Local Street Fund:		
Major Street Fund	2,500	- 0 -
General Fund	<u>- 0 -</u>	<u>11,646</u>
	<u>\$45,881</u>	<u>\$45,881</u>

(9) CASH AND INVESTMENTS

The captions on the Combined Balance Sheet relating to cash, certificates of deposit, and investments are as follows:

Cash on Hand and in Bank	<u>\$39,287</u>
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The above amounts are classified by GASB statement No. 3 in the following categories:

Summary of:	
Specific Accounts:	
Checking Account	<u>\$39,287</u>

These funds are in one financial institution located in Oakland County. All accounts are in the name of the Village. They are recorded in the Village's records at cost. Interest is recorded when earned.

STATUTORY AUTHORITY

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of

(9) CASH AND INVESTMENTS (Continued)

purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of governments in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated one bank for the deposit of the Village's funds. The Village has adopted an investment policy in accordance with P.A. 196 of 1997. The Village has funds invested in bank checking accounts.

The Village's deposits and investments are in accordance with statutory authority.

Michigan law (section 3, Act 40, P.A. 1932, as amended) prohibits security in the form of collateral, surety bond, or any other form for the deposit of public money.

We estimate that approximately 100% of the Village's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We are unable to be specific due to the complexity of FDIC Regulation number 330.8. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts.

1. All demand, non-interest bearing accounts (checking) in the name of the authorized or statutory custodian (treasurer) of public funds.
2. All savings deposits which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. The demand and savings accounts as defined in items 1 and 2 above for those bank accounts, in the name of a specific fund, when all of the following criteria is applicable:
 - (a) The fund is created by a specific state statute
 - (b) The functions of the fund are specified by state statute
 - (c) Money is allocated by state statute for the exclusive use of that fund and statutory function.

	<u>Per Institution</u>	<u>Per Books</u>	<u>Insured FDIC</u>	<u>Uninsured</u>
Oxford Bank:				
General Fund	\$ 36,612	\$ 30,758	\$ 36,612	\$ - 0 -
Major Street Fund	9,016	8,417	9,016	- 0 -
Local Street Fund	<u>179</u>	<u>112</u>	<u>179</u>	<u>- 0 -</u>
	<u>\$ 45,807</u>	<u>\$ 39,287</u>	<u>\$ 45,807</u>	<u>\$ - 0 -</u>

In accordance with GASB Statement 3, investments are classified into three categories of credit risk as follows:

(9) CASH AND INVESTMENTS (Continued)

Category 1: Insured or collateralized with securities held by the entity or its agents in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the name of the entity).

Investment Type:

	(1)	(2)	(3)
Risk - Categorized			
Cash Equivalents	<u>\$45,807</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Total Risk - Categorized			
Investments	<u>\$45,807</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

(10) RELATED PARTY TRANSACTIONS

GASB Codification Sec. 2300.107 requires that governmental entities disclose related party transactions. FASB Statement No. 57 defines a related party as:

...principal owners of the enterprise; its management; members of the immediate family of principal owners of the enterprise and its management; and other parties with which the enterprises may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties may be prevented from fully pursuing its own separate interests. Another party is also related if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Based on the above definition of related parties, the Village of Leonard had two incidences of a related transaction as follows:

- A. The spouse of the treasurer was employed by the Village. The maximum amount this person received was \$14,781.
- B. The father of the clerk sold gravel to the Village. The maximum amount he received was \$405.

(11) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan Public Act 2 of 1968, as amended, the "Uniform Budgeting and Accounting Act" provides that a local unit shall not incur expenditures in excess of the amount appropriated (Section 18 (1)). In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted on the functional activity level. The budget was amended during the year by the Council, with a final amendment made on March 18, 2004.

(11) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(Continued)

For the year ended February 29, 2004 the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated. The following is a comparison of the Village's adopted budget as compared to actual expenditures:

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Major Street Fund:			
Routine Maintenance	\$12,875	\$13,502	\$(627)
Snow and Ice Control	7,700	14,439	(6,739)
Transfer to Local Street	- 0 -	5,500	(5,500)
Local Street Fund:			
Snow and Ice Control	3,350	3,569	(219)

(12) RISK MANAGEMENT

The Village carries commercial insurance primarily for protection from personal property loss, theft, personal injury torts, errors and omissions, and employee injuries. For the three previous years, commercial insurance claims have not exceeded the amount of coverage as provided for by the policy. There was no reduction in coverage obtained through commercial insurance during the past year.

(13) NON-COMPLIANCE

The Village failed to amend their budget when expenditures exceeded budgeted amounts as discussed in Note (1) F.

(14) INSTALLMENT LOAN PAYABLE - TRUCK

On June 1, 2001 the Village purchased a new 2001 GMC dump truck. The total purchase price was \$57,271 with a down payment of \$25,000. The balance of \$32,271 was financed over two years through GMAC at 5.5%. The terms of the contract required two payments of \$17,479 (which includes interest) payable on June 1, 2002 and June 1, 2003. It was determined that the contract could be set up as a liability of the General Fund because the period of time remaining on the contract was less than two years. The contract was paid off at the fiscal year end of February 29, 2004.

**VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Current Taxes	\$ 67,000	\$ 62,474	\$ (4,526)
Delinquent Taxes	4,000	- 0 -	(4,000)
Interest Income	600	414	(186)
State Revenue Sharing	27,000	25,890	(1,110)
Community Development Block Grant	8,000	- 0 -	(8,000)
Interest on Delinquent Taxes	- 0 -	264	264
Rental of Equipment	10,000	18,206	8,206
Hall Rental	2,500	2,735	235
Miscellaneous	500	879	379
Permits and Fines	9,300	15,083	5,783
Zoning and Bonds	3,000	- 0 -	(3,000)
Franchise Fee	3,500	1,254	(2,246)
Refunds and Reimbursements	<u>- 0 -</u>	<u>126</u>	<u>126</u>
<u>TOTAL REVENUES</u>	<u>135,400</u>	<u>127,325</u>	<u>(8,075)</u>
<u>EXPENDITURES (Statement 5)</u>			
Administrative	103,041	73,153	29,888
Building and Grounds	46,921	28,997	17,924
Health and Sanitation	17,000	16,211	789
Other Street Services	<u>10,688</u>	<u>6,218</u>	<u>4,470</u>
<u>TOTAL EXPENDITURES</u>	<u>177,650</u>	<u>124,579</u>	<u>53,071</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	(42,250)	2,746	44,996
<u>FUND BALANCE - March 1, 2003 (Unaudited)</u>	<u>38,903</u>	<u>38,903</u>	<u>- 0 -</u>
<u>FUND BALANCE (Deficit) - February 29, 2004</u>	<u>\$ (3,347)</u>	<u>\$ 41,649</u>	<u>\$ 44,996</u>

See accompanying notes to financial statements.

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
STATEMENT OF GENERAL FUND EXPENDITURES - COMPARED TO BUDGET
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>ADMINISTRATIVE</u>			
Wages and Per Diem:			
President	\$ 4,000	\$ 2,976	\$ 1,024
Clerk	4,000	2,976	1,024
Treasurer	4,000	2,976	1,024
Trustees	2,200	2,160	40
Inspectors	6,150	12,978	(6,828)
Administrative Assistant	7,420	7,418	2
Clerk Expenses	1,173	1,172	1
Employer Payroll Taxes	4,550	2,872	1,678
Treasurer Expenses	621	620	1
Telephone - Clerk	1,700	1,768	(68)
Auditor	5,500	- 0 -	5,500
Mileage	1,000	866	134
Legal	2,300	2,233	67
Election Expenses	1,331	1,164	167
Printing and Publishing	350	124	226
Interest Expense - Taxes	- 0 -	3,601	(3,601)
Dues, Memberships, and Seminars	1,837	2,276	(439)
Zoning Expenses	200	- 0 -	200
Planning Commission	800	786	14
Refunds	1,000	- 0 -	1,000
Insurance and Bonds	18,160	17,243	917
Christmas Decorations	2,739	2,739	- 0 -
Miscellaneous	1,410	519	891
Community Beautification	215	211	4
Custodian & Opening/Closing Fee	3,600	3,475	125
Community Development Block Grant	6,785	- 0 -	6,785
ITT Automotive Repayment	20,000	- 0 -	20,000
	<u>\$103,041</u>	<u>\$73,153</u>	<u>\$29,888</u>
<u>BUILDING AND GROUNDS</u>			
Utilities	\$ 7,670	\$ 7,607	\$ 63
Equipment Maintenance	7,000	7,142	(142)
Garage Maintenance and Pole Barn	600	436	164
Gasoline, Oil, Diesel and Grease	2,911	2,743	168
New Equipment and Truck Interest	19,240	2,691	16,549
Hall Expenses	4,000	3,899	101
General Labor	5,000	4,479	521
Alley Upkeep	500	- 0 -	500
	<u>\$ 46,921</u>	<u>\$28,997</u>	<u>\$17,924</u>
<u>HEALTH AND SANITATION</u>			
Contracted Services	<u>\$ 17,000</u>	<u>\$16,211</u>	<u>\$ 789</u>
<u>OTHER STREET SERVICES</u>			
Road Salt	\$ 1,000	\$ - 0 -	\$1,000
Drain - Labor and Material	1,500	210	1,290
Ramps - Labor and Material	1,500	1,409	91
Storm Clean Up	4,688	4,599	89
Major and Local Street Loans	1,500	- 0 -	1,500
Sand and Gravel	500	- 0 -	500
	<u>\$ 10,688</u>	<u>\$ 6,218</u>	<u>\$ 4,470</u>

See accompanying notes to financial statements.

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
FEBRUARY 29, 2004

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Totals (Memorandum Only)</u>
<u>ASSETS</u>			
Cash in Bank - Checking	\$ 8,417	\$ 112	\$ 8,529
Accounts Receivable	926	- 0 -	926
Due from Major Street Fund	- 0 -	2,500	2,500
Due from State	<u>44,365</u>	<u>9,504</u>	<u>53,869</u>
<u>TOTAL ASSETS</u>	<u>\$53,708</u>	<u>\$12,116</u>	<u>\$65,824</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Accounts Payable	\$ 3,584	\$ 306	\$ 3,890
Due to General Fund	31,735	11,646	43,381
Due to Local Street Fund	2,500	- 0 -	2,500
Fund Balance	<u>15,889</u>	<u>164</u>	<u>16,053</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$53,708</u>	<u>\$12,116</u>	<u>\$65,824</u>

See accompanying notes to financial statements.

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Totals (Memorandum Only)</u>
<u>REVENUES</u>			
State Grants	\$44,365	\$9,504	\$53,869
Interest Income	<u>160</u>	<u>45</u>	<u>205</u>
<u>TOTAL REVENUES</u>	<u>44,525</u>	<u>9,549</u>	<u>54,074</u>
<u>EXPENDITURES</u>			
Administrative Costs	3,164	678	3,842
Routine Maintenance	13,502	10,274	23,776
Snow and Ice Control	14,439	3,569	18,008
Traffic Services	<u>3,007</u>	<u>12</u>	<u>3,019</u>
<u>TOTAL EXPENDITURES</u>	<u>34,112</u>	<u>14,533</u>	<u>48,645</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Other Transfers In	- 0 -	5,500	5,500
Other Transfers Out	<u>(5,500)</u>	<u>- 0 -</u>	<u>(5,500)</u>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>(5,500)</u>	<u>5,500</u>	<u>- 0 -</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u>	4,913	516	5,429
<u>FUND BALANCE (Deficit) - March 1, 2003 (Unaudited)</u>	<u>10,976</u>	<u>(352)</u>	<u>10,624</u>
<u>FUND BALANCE - February 29, 2004</u>	<u>\$15,889</u>	<u>\$ 164</u>	<u>\$16,053</u>

See accompanying notes to financial statements.

**VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
MAJOR STREET FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
State of Michigan - Act 51	\$26,000	\$44,365	\$ 18,365
Interest Income	<u>500</u>	<u>160</u>	<u>(340)</u>
<u>TOTAL REVENUES</u>	<u>26,500</u>	<u>44,525</u>	<u>18,025</u>
<u>EXPENDITURES</u>			
Administrative Costs	3,900	3,164	736
Routine Maintenance	12,875	13,502	(627)
Snow and Ice Control	7,700	14,439	(6,739)
Traffic Services	<u>3,350</u>	<u>3,007</u>	<u>343</u>
<u>TOTAL EXPENDITURES</u>	<u>27,825</u>	<u>34,112</u>	<u>(6,287)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer to Local Street Fund	<u>- 0 -</u>	<u>5,500</u>	<u>(5,500)</u>
<u>TOTAL OTHER FINANCING USES</u>	<u>- 0 -</u>	<u>5,500</u>	<u>(5,500)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u>	(1,325)	4,913	6,238
<u>FUND BALANCE - March 1, 2003</u>			
(Unaudited)	<u>10,976</u>	<u>10,976</u>	<u>- 0 -</u>
<u>FUND BALANCE - February 29, 2004</u>	<u>\$ 9,651</u>	<u>\$ 15,889</u>	<u>\$ 6,238</u>

See accompanying notes to financial statements.

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
MAJOR STREET FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>EXPENDITURES</u>			
<u>Administrative Costs</u>	<u>\$ 3,900</u>	<u>\$ 3,164</u>	<u>\$ 736</u>
<u>Routine Maintenance</u>			
Labor	\$ 3,000	\$ 3,145	\$ (145)
Grading	500	135	365
Ditches and Drains	1,000	928	72
Materials	525	- 0 -	525
Road Repair	1,440	945	495
Telephone	1,000	493	507
Equipment Rental	1,500	6,621	(5,121)
Utilities	350	342	8
Sidewalk - Non Motorized	500	- 0 -	500
Payroll Taxes and W/C Insurance	- 0 -	843	(843)
Miscellaneous	<u>3,060</u>	<u>50</u>	<u>3,010</u>
	<u>\$12,875</u>	<u>\$13,502</u>	<u>\$ (627)</u>
<u>Snow and Ice Control</u>			
Labor	\$ 3,700	\$ 3,738	\$ (38)
Materials	2,000	2,738	(738)
Equipment Rental	2,000	7,400	(5,400)
Payroll Taxes and W/C Insurance	<u>- 0 -</u>	<u>563</u>	<u>(563)</u>
	<u>\$ 7,700</u>	<u>\$14,439</u>	<u>\$ (6,739)</u>
<u>Traffic Services</u>			
Labor	\$ 200	\$ - 0 -	\$ 200
Safety Equipment (Signs)	250	235	15
Pavement Marking	2,800	2,736	64
Utilities	<u>100</u>	<u>36</u>	<u>64</u>
	<u>\$ 3,350</u>	<u>\$ 3,007</u>	<u>\$ 343</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
State of Michigan - Act 51	\$ 5,500	\$ 9,504	\$ 4,004
Interest Income	<u>200</u>	<u>45</u>	<u>(155)</u>
<u>TOTAL REVENUES</u>	<u>5,700</u>	<u>9,549</u>	<u>3,849</u>
<u>EXPENDITURES</u>			
<u>Administrative Costs</u>	<u>1,270</u>	<u>678</u>	<u>592</u>
<u>Routine Maintenance</u>			
Labor	700	660	40
Grading	550	495	55
Ditches and Drains	1,200	322	878
Materials	3,000	212	2,788
Dust Control	2,500	2,412	88
Equipment Rental	1,000	1,693	(693)
Payroll Taxes and W/C Insurance	- 0 -	248	(248)
West Street Project	<u>4,500</u>	<u>4,232</u>	<u>268</u>
	<u>13,450</u>	<u>10,274</u>	<u>3,176</u>
<u>Snow and Ice Control</u>			
Labor	1,350	873	477
Materials	1,000	63	937
Equipment Rental	1,000	2,493	(1,493)
Payroll Taxes and W/C Insurance	<u>- 0 -</u>	<u>140</u>	<u>(140)</u>
	<u>3,350</u>	<u>3,569</u>	<u>(219)</u>
<u>Traffic Services</u>			
Safety Equipment (Signs)	<u>150</u>	<u>12</u>	<u>138</u>
<u>TOTAL EXPENDITURES</u>	<u>18,220</u>	<u>14,533</u>	<u>3,687</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer from Major Street Fund	<u>- 0 -</u>	<u>5,500</u>	<u>5,500</u>
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>- 0 -</u>	<u>5,500</u>	<u>5,500</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u>	(12,520)	516	13,036
<u>FUND BALANCE (Deficit) - March 1, 2003 (Unaudited)</u>	<u>(352)</u>	<u>(352)</u>	<u>- 0 -</u>
<u>FUND BALANCE (DEFICIT) - Feb 29, 2004</u>	<u>\$(12,872)</u>	<u>\$ 164</u>	<u>\$13,036</u>

See accompanying notes to financial statements.

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004

	Balance			Balance
	<u>2-28-02</u>	<u>Additions</u>	<u>Deletions</u>	<u>2-29-04</u>
<u>ASSETS</u> (Note 3)				
Land	\$ 19,996	\$ - 0 -	\$ - 0 -	\$ 19,996
Building	130,678	- 0 -	- 0 -	130,678
Machinery and Equipment	119,554	453	- 0 -	120,007
Police Equipment	1,927	- 0 -	- 0 -	1,927
Office Equipment	<u>6,976</u>	<u>202</u>	<u>- 0 -</u>	<u>7,178</u>
<u>INVESTMENT IN GENERAL</u>				
<u>FIXED ASSETS</u>	<u>\$279,131</u>	<u>\$ 655</u>	<u>\$ - 0 -</u>	<u>\$279,786</u>

See accompanying notes to financial statements.



MICHAEL H. DeVRIES

CERTIFIED PUBLIC ACCOUNTANT

837 South Lapeer Road
Oxford, Michigan 48371
Telephone 248.628.9200
Fax 248.628.6107

January 12, 2005

Village Council
Village of Leonard
Leonard, Michigan

In planning and performing our audit of the general purpose financial statements of the Village of Leonard (hereafter the Village) for the year ended February 29, 2004, the findings of which have been reported under separate cover, we would like to make you aware of various matters and to offer the following recommendations:

1. We would like to make the Village aware that in the future new financial reporting requirements will be necessary as mandated by the Governmental Accounting Standards Board Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments."* Briefly, these new reporting procedures include (but are not limited to) preparing a management's discussion and analysis narrative report, depreciating the Village's fixed assets as well as reporting budget information at the beginning and end of the year which will allow the readers of the financial statements to assess any budget changes which have taken place during the year. We anticipate that these changes will be required in the financial statements as of February, 2005.
2. Pursuant to P.A. 2 of 1968 as amended, also known as the *"Uniform Budgeting and Accounting Act"*, expenditures shall not be incurred in excess of the amount appropriated. Therefore, when the Village exceeds their budgeted line item amounts the respective budgeted line item amounts should be revised accordingly, and the changes should be recorded in the minutes.
3. The interfund receivables and payables at February 29, 2004 should be resolved. Major Street Fund owes the General Fund \$31,734.61. Major Street fund owes the Local Street Fund \$2,500.00. Local Street fund owes the General Fund \$11,645.91.
4. In order to comply with Act 51 funding requirements, the Village must have expenditures for non-motorized improvements.
5. The Village should consider registering with the state of Michigan to obtain a payroll state withholding identification number, and a Michigan Unemployment Agency number.

MEMBER

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

6. Receipts from building and other permits should reflect the permit number on the deposit slip. Subsequently when inspectors are paid, the permit number should be reflected on the check.
7. Accounts Receivable from Giffels-Webster Engineers, Inc. (\$926) and J. L. Excavating (\$500) should be collected.
8. Delinquent personal property taxes that are still unpaid should be collected.
9. By Council resolution, the Village is able to transfer up to 25% of Major Street funding to the Local Street fund. This type of transfer will end effective January 1, 2009.

We acknowledge with appreciation the co-operation we received from your members and representatives and note that nothing came to our attention in the course of our tests and reviews, in connection with any report on the financial statements to indicate any improper, illegal, or other actions.

Sincerely,

A handwritten signature in cursive script, reading "Michael H. DeVries".

Michael H. DeVries
Certified Public Accountant